REMARKS

In the Office Action, claims 8-15 and 22-28 were allowed, claim 2 was indicated as allowable if rewritten in independent form, and claims 1, 3-7, 16-21 and 29-31 were rejected. Applicants thank the Examiner for allowing claims 8-15 and 22-28 and for indicating the allowability of claim 2. By this Reply and Amendment, claims 1 and 16 have been amended, claims 2 and 29-31 have been canceled without prejudice, and claims 1 and 3-28 remain pending in the present application. All claim amendments are fully supported throughout the description and figures of the specification. No new matter has been added.

Claims 1 and 3-6 were rejected under 35 USC 103(a) as obvious in view of the Schultz reference, US Patent No.: 5,273,112. Applicants respectfully traverse this rejection, however independent claim 1 has been amended to incorporate the language of allowable claim 2. Accordingly, claim 1 and its dependent claims 3-6 should be in condition for allowance.

Claims 1, 3 and 7 were rejected under 35 USC 103(a) as obvious in view of the Birckhead et al. reference, US Patent No. 6,536,522. Applicants respectfully traverse this rejection, however independent claim 1 has been amended to incorporate the language of allowable claim 2. Accordingly, claim 1 and its dependent claims 3, 7 should be in condition for allowance.

Claims 16-18, 21 and 20 9-31 were rejected under 35 USC 103(a) as obvious over the Birckhead et al. reference in view of the Moffatt et al. reference, US Publication No. 20030164037. Applicants respectfully traverse this rejection, however independent claim 16 has been amended to clarify the claim language, and claims 29-31 have been canceled without prejudice.

The Birckhead et al. reference describes an artificial lift apparatus and monitoring of conditions in and around the well so that adjustments can be made based on those conditions. The Birckhead et al. reference describes an apparatus 100 operated to artificially lift production fluid from a wellbore through a tubing string 55. A downhole casing pressure sensor 50a is used

to monitor the pressure of the fluid column, and this pressure value is transmitted to a controller 25. Also, an upper casing pressure sensor 37 is used to measure pressure at the top of a casing 13. This pressure value also is transmitted to controller 25. The controller 25 determines the true height of fluid in the wellbore 18 and operates a pump 60 according to preprogrammed instructions that are typically based on historical data and formation pressure.

The Moffatt et al. reference, on the other hand, is relied on as disclosing reservoir pressure sensors. However, whether these references are taken alone or in combination, they fail to disclose or suggest elements of amendment independent claim 16. For example, the references do not disclose or suggest a combined flow control mechanism, reservoir pressure sensor, bottom hole flowing pressure sensor, and a stability envelope for the formation in which the flow control mechanism is adjustable to "continuously adjust the ratio of bottom hole flowing pressure to reservoir pressure within the stability envelope to maintain a level of underbalance in proximity to a predetermined optimal underbalance" as recited in amended, independent claim 16. Claims 17, 18 and 21 directly depend from independent claim 16 and are patentable for the reasons provided with respect to claim 16 as well as for the unique subject matter found in each of these dependent claims. Accordingly, claims 16-18 and 21 are patentable over the cited references.

Claims 16 and 18-21 were rejected under 35 USC 103(a) as obvious over the Schultz reference in view of the Moffatt et al. reference. Applicants respectfully traverse this rejection, however independent claim 16 has been amended to clarify the claim language.

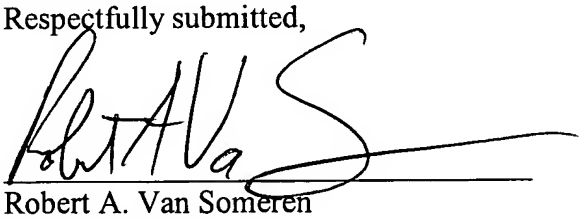
The Schultz reference describes a drilling system having a drill stem test string 22 and a high-pressure source 48 to circulate drilling fluids down through the well. An annulus pressure control system 46 is used to control the high-pressure applied down through the well. The Moffatt et al. reference is again relied on as disclosing reservoir pressure sensors.

However, whether these references are taken alone or in combination, they fail to disclose or suggest elements of amendment independent claim 16. For example, the references do not disclose or suggest a combined flow control mechanism, reservoir pressure sensor, bottom

hole flowing pressure sensor, and a stability envelope for the formation in which the flow control mechanism is adjustable to "continuously adjust the ratio of bottom hole flowing pressure to reservoir pressure within the stability envelope to maintain a level of underbalance in proximity to a predetermined optimal underbalance" as recited in amended, independent claim 16. Claims 18-21 ultimately depend from independent claim 16 and are patentable for the reasons provided with respect to claim 16 as well as for the unique subject matter found in each of these dependent claims. Accordingly, claims 16 and 18-21 are patentable over the cited references.

In view of the foregoing remarks, all pending claims are believed to be in condition for allowance. However, if the Examiner believes certain amendments are necessary to clarify the present claims or if the Examiner wishes to resolve other issues by way of a telephone conference, the Examiner is kindly invited to contact the undersigned attorney at the telephone number indicated below.

Respectfully submitted,



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